



**WEST NOTTINGHAMSHIRE COLLEGE
FINANCE AND ESTATES COMMITTEE**

Minutes of the Finance & Estates Committee meeting held in the Vision Room, Derby Road site on Thursday 28 June 2012 at 2.30 pm.

BOARD MEMBERS Kate Allsop, Acting Chair
PRESENT: Asha Khemka
 Philip Lancashire
 Chris Winterton
 David Overton (Estates matters)

ALSO IN ATTENDANCE: Maxine Bagshaw, Company Secretary
 Andrew Martin, Director of Finance
 Tom Stevens, Capital Projects & Estates

		ACTION by whom	DATE by when
12.34	<u>APPOINTMENT OF COMMITTEE CHAIR</u>		
	In the absence of Terry Dean it was agreed that Kate Allsop would be appointed as the meeting Chair.		
12.35	<u>DECLARATION OF INTEREST</u>		
	The Acting Chair reminded those present to declare, at the start of the meeting, any interest that they may have in any agenda items to be discussed. No interests were declared.		
12.36	<u>WELCOME, INTRODUCTIONS & APOLOGIES FOR ABSENCE</u>		
	Apologies for absence were received from Howard Baggaley and Terry Dean.		
12.37	<u>MINUTES OF THE MEETING HELD ON 3 MAY 2012</u>		
	AGREED: that the minutes of the meeting held on 3 May 2012 were a correct record and be signed by the Chair.	Acting Chair	28 June 2012
12.38	<u>ACTIONS OUTSTANDING AND MATTERS ARISING FROM THE MINUTES</u>		
	Members reviewed the minutes and the action progress table and agreed the following:		
	<ul style="list-style-type: none"> Disposal strategy is to be discussed at the residential event, but a fuller report will come back to the next meeting. The Director of Finance is to provide an update on the disposal strategy and anticipated receipts. 	Director of Finance	27 Sept 2012

Signed : _____ Chair

Date:

12.39 **PROPERTY STRATEGY UPDATE**

The Executive Director Capital Project & Estates introduced this item and drew members` attention to his written report, the following was specifically brought to members` attention:

- Renewal grant allocation of £120k available for colleges with more than 20% of estate in RIBA conditions C & D. Submission is to be made by 31 July 2012. The proposal is that the College`s bid be made to allocate this sum against the six storey tower works.
- Enhancement renewal grant up to £3million available to bid for. Submission is by 11 September 2012. Minimum application of £1million conditional on College making two-thirds contribution. It was confirmed that the College will make a bid for monies in this round of allocation, although it has to be noted that as the College was successful on its £1.9million bid for the new build, it was questionable whether it would be successful second time around. Whilst a bid will be submitted, it may not be possible to meet all of the criteria. In terms of bid criteria, the College is intending to submit an application for the relocation of Visual Arts from the Chesterfield Road site, the cost of this move is estimated to be in the region of £1.7million, and therefore a bid for contribution of enhanced renewal grant will be made for £600k. It was noted that if the building was to include an element of cladding, then that would take bid costs up to approximately £700k. All agreed that whilst there was no certainty regarding receipt of this money, it was certainly worthwhile making the application/bid.
- New build is thought to be on time and on budget. One concern raised by the Director of Finance is that the College has not been asked to pay as much contractor costs as projected/profiled, and there was a slight concern that the build may not actually be as `on time` as advised. It was agreed that the Committee and the College would need Turner Townsend to advise on this with a request for a definitive answer from Turner Townsend in writing as to where the programme currently is as against anticipated activity. All agreed that now was an appropriate time to question.
- Tender costs for the production kitchen in the new build total £152,513.26. The appointment of a catering contractor is required to ensure delivery and fit out within the project timetable. It was noted that an estimated £117k has been set aside for this work, therefore the difference will need to be paid from the contingency budget.
- Design development of windows in the inner enclosed courtyard are at an additional cost of circa £16k, members` attention was drawn to the detailed design proposed and pictures at page 28. Members questioned why the windows were an additional cost. The Executive Director Capital Projects & Estates fully explained the design changes. Members of the Committee were concerned that the College may be picking up a lot of extra costs rather than the builder who ought to bear them as part of the design and build package. It was

Director
Finance

June 2012

Signed : _____ Chair

Date:

acknowledged, however, that in this circumstance the situation is different as it is the College, as the client, who has changed the design. In these circumstances, it is appropriate to accept the additional costs. There was some discussion at the meeting regarding the benefit of the design change and windows versus a wall. It was agreed that delegated authority be provided to the Principal, Director of Finance and the Executive Director Capital Projects and Estates to make a decision upon the most appropriate design alternative as set out at page 28.

- Costs review of the cladding for the six-storey tower and other buildings indicate an increase in total costs of £502,169. This cost can be mitigated to an increase of £129,853 by eliminating the extent of cladding refurbishment on Sherwood Care building and No.19. Members' attention was drawn to the substantive detail of figures at page 29. It was noted that because of the escalating cladding costs, the only mechanism really to build this element into the project under budget is to limit cladding to Sherwood Care and No.19. Members were advised that the College would go out to tender on the basis of full cladding to all buildings, but would also include the option not to proceed with Sherwood and No.19 at the same time, and that this would give maximum flexibility. It was agreed that in the tender invite the College would also ask all contractors to provide a firm programme so that the Management Team can better understand the timescales involved.

The Committee suggested that before a tender is formally issued there should be some investigation to try and get a better understanding of how many contractors are likely submit a tender. It was noted that in the tender process undertaken by Mansells, there was a very very small pool of individuals willing to submit. It was also agreed that the College would look at an International market with the potential need to issue an OJEU tender. The Committee were advised that if an OJEU tender is issued then it is an approximate 5-6 month process.

In terms of the timescale to clad the tower, members were advised that it would probably take 8-9 months. In these circumstances, it was agreed that there was a need to properly assess the likely impact on students. It was felt that the most beneficial time would be to commence works in December/January and then the College can decamp students in to the new build.

Action agreed in relation to cladding of the six storey tower was:

- a) Tender issued by the end of July 2012,
 - b) Ascertain from the manufacturers (KME) who, in Europe uses the cladding, and
 - c) Ask Turner Townsend to speak to KME to ascertain subcontractors to approach to participate in the tender.
- Sports Hall internal works presently scheduled for 30 July 2012, external works, cladding and paving scheduled for completion by 10

Signed : _____ Chair

Date:

September 2012. It was noted that the Sports Hall project is still moving forward with cladding now starting to be erected. Members discussed the best and worse case scenario regarding contract discussions.

- Four-week extension of contract has been agreed from 7 May 2012 to 1 June 2012 for completion of the Sports Hall.

Members' attention was drawn to the recommendations detailed at page 27 and confirmed the following:

AGREED:

- a) An application for a renewal grant of £120k by 31 July 2012 and bid for an enhanced renewal grant of up to £3million by 11 September 2012,
- b) Following a competitive tendering process the appointment of a contractor to install a production kitchen into the new build at a cost of £152,513.26, met from the overall budget for the new build, with £34,573.26 allocated to the contingency fund,
- c) Delegated authority to the Principal/Director of Finance/Executive Director Capital Projects and Estates to approve design developments for windows into the inner enclosed courtyard, estimated cost of this if the College proceeds is £16k allocated to the contingency fund,
- d) Updated costs regarding cladding of the six storey tower noted. A further report to be brought back to the next meeting,
- e) Approval of extending the appointment of the existing design team for the six storey tower to develop the cladding design for other buildings, to RIBA design stage E and tender.

EDCP

Sept 2012

The Director of Finance then circulated a document providing a financial review of the Accommodation Strategy. He drew members' attention to the table on page 1, which sets out the expenditure on the accommodation programme budgeted at £24million by building phase. It was noted that where completions have been confirmed a variance has been reported comparing the actual spend to the agreed budget.

It was explained that the budget and expenditure needs to be set in the context of the College's actual performance. The actual position for 2010/11 provided a comparable out turn of £2.653million compared to the original plan which assumed an out turn of £1.228million, providing a much stronger starting point to the affordability position. The current year forecast is also better than had been expected last year, predominantly due to a number of specific provisions that have been fully provided, which will not be recovered. The result expected of just under £2.5million is around £600k better than expected in the original plan. In addition, the budget proposed for 2012/13 is also likely to be marginally better than anticipated at £1.52million compared to £1.315million reported last year.

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Date:

Across the planning period, total operating surpluses were expected to be £7.915million, and have now been revised in the current financial forecast to £10.633million, strengthening the underlying affordability to current assumptions further from those reported last year.

In general terms members were advised that the base line affordability assumptions are doing better than expected and this gives the College a strong base upon which to build. Members all agreed that financial review was a critical tool and that it should be reviewed at every meeting.

It was acknowledged that a decision for the Board at a future date is whether it spends less, ie, borrows less, or chooses to borrow to its maximum capacity to invest in broader accommodation options. Members were advised that the £8million EIB loan had now been fixed at 4.38% for the next 16 years. Second facility will be more flexible but will be at a higher rate in line with the bank tender submitted and approved.

AGREED: to note the update provided.

Director of
Finance

Standing
Item

12.40 ESTATES LONG TERM MAINTENANCE

The Executive Director Capital Projects & Estates introduced this item and drew members` attention to the summary report for 2011/12, key points brought to members` attention:

- 2011/12 a budget of £600k (£400k reactive and £200k planned) was set.
- Forecast expenditure for reactive maintenance 2011/12 is £396,839.62 and £115,490 for planned maintenance.
- As part of the mid year financial forecast, the budget was uplifted to £662k to accommodate approved expenditure on repair of ceilings at Ashfield College.
- Work to strengthen existing ceilings at Ashfield College and fit a new acoustic suspended ceiling following a structural survey completed at a cost £63,585.98.
- Work to repair and replace the gearbox on an out of order lift at Derby Road was completed at a cost of £18k. It was noted that there is a similar second lift and the fact that this gearbox failed makes the Management Team anticipate that there may be the likelihood of having to change the gearbox in the second lift. Full details of this were set out in paragraph 5.6.
- Forecast commitment of £616,365.36 against a budget of £662k for 2011/12.
- In 2012/13 a budget is to be set at £600k again, £400k reactive and £200k planned.
- Heads of School and support areas have submitted proposals for the £200k planned expenditure as part of the business planning process. Members had an entertaining discussion regarding some of the projects submitted. Feedback from the Committee is that there may need to be questions regarding validity of costs as a significant

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Date:

proportion seem inflated. In terms of the 2012/13 planned maintenance, the schedule was reviewed at page 35. It was noted that the vast majority of capital expenditure requests were rejected with only key capital items agreed.

Members` attention was drawn to paragraph 2.4 which details planned maintenance, it was confirmed that all are now complete.

AGREED to:

- a) Note the content of the report,
- b) Approve projects identified as essential in the appendix 1 table, totalling £78,620, and
- c) Approve projects presented for approval.

12.41 ENGINEERING INNOVATION CENTRE – UPDATE FOLLOWING BOARD STRATEGY DISCUSSIONS

The Executive Director Capital Projects & Estates introduced this item and confirmed that following strategy discussions, there was a general feeling to pursue the possibility of developing the Engineering Innovation Centre early. The College is now to undertake a feasibility study with a consolidated report to be presented to the Board on 12 July 2012.

Executive Director

12 July 2012

In tandem with this feasibility study, the College will discuss best terms with the two location options reviewed at the strategy event, in addition the College has a meeting planned with the brewery developers to better understand the facilities available there.

In terms of timeline, if the Board were to proceed with this development at this time then sign up would likely be in October/November. At the July 2012 Board meeting, the College will be asking the Corporation to approve advisors and will receive feasibility studies regarding the sites identified at the strategy residential event.

AGREED: to note the update provided.

12.42 DISPOSAL STRATEGY UPDATE FOLLOWING BOARD STRATEGY DISCUSSIONS

It was agreed to defer consideration of this item to the next meeting.

Director Finance

27 Sept 2012

12.43 FINANCE REPORT MAY 2012

The Director of Finance introduced this item and drew members` attention to the comprehensive written data on page 44. He confirmed that the College is in a very strong position. Variances were noted and explanations were clearly apparent. Of particular concern to the Director of Finance is the fact that examination costs would be overspent and unfortunately it is no longer expected that these will even out across the remainder of the year. Members also discussed the under-spend in

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Date:

relation to staffing, there was agreement that the College would need to ensure that staffing requests are made and supported so that quality does not suffer in the pursuit of efficiencies.

In general terms it was accepted that 2011/12 will be the third strong year in a row and that this gives the College confidence that it can deliver its accommodation plans.

AGREED: to note the content of the Finance Report to May 2012.

12.44 2011/12 PROJECTED YEAR END POSITION

The Director of Finance introduced this item and drew members' attention to the detailed table at page 55. Total end of year income is expected to be £48.507million. In discussion it was felt that this was a prudent forecast and it is hoped that the College can do better. Of particular importance and drawn to members' attention was the following:

- Total pay expenditure £637k under-spend against mid year forecast.
- Total non-pay expenditure is lower than anticipated.
- Operating surplus is expected to be £2,673million and may even be slightly better than this.
- Group turnover will be lower than anticipated at the mid year point following reported performance within the 16-18 apprenticeship programme up to the end of May. The original budget of £8.5million was reduced at the mid year point but now looks very unlikely to be achieved. An out-turn of around £1.5million lower than forecast will be delivered and forms the basis of the end of year forecast.
- Associated partner costs are also expected to be lower as a result of the lower activity volumes.
- The recent news that the College will take over the residual learners from the Realtime Training Programme, for the Skills Funding Agency may drive some additional costs and income not included in this end of year forecast. This is dependent on the speed of mobilisation and enrolment on to the College's learner record system after initial contact by a College controlled assessor. It was felt that income in this area could be in the region of £1.5million over the next 9-12 months, some income may be derived in 2011/12 but this is not currently within the forecast position.

AGREED: to note the 2011/12 projected year-end position.

12.45 DRAFT BUDGET FOR 2012/13 AND FINANCIAL FORECAST TO 2020/21

The Director of Finance introduced this item and drew the following to members' attention:

- The forecast covers the long-term impact of the accommodation strategy.

Signed : _____ Chair

Date:

- The College and College Group budget for 2012/13 has once again been set against the backdrop of known but challenging funding and spending changes and the commitment to significant borrowing in order to deliver the College accommodation programme.
- Like other providers operating in the sector, the funding allocations for 2012/13 provide an ongoing challenge, although the settlement for adult skills in particular, places the College in a better position than many. It is able to maintain its ground where others are experiencing cash reductions in funding of an average of 7%. The Board has received a paper setting out the College's final funding allocations at its meeting in May, providing a comparator to the current year and the underlying financial forecast agreed at last years budget setting meeting.
- The restructure of the College business support services in June 2011 to position the College to take advantage of future opportunities has also assisted the financial operating position by pegging back the continual upward pressure on salary budgets through incremental changes and low, but still upward pay settlements. The College budget does not assume any further major restructure to be necessary as long as it is able to control its pay budget and attract funding allocations in line with financial forecasts.
- Paragraph 9 provides a small summary table. It was noted that BKS B will be the biggest contributor to the profitability of the College Group. An additional line has now been added to clearly show loan interest payments.
- Group profitability is pretty strong when compared to others in the sector.
- The apprenticeship programme includes contract values for 16-18 learners. The current 2011/12 year performance has been disappointing compared to aspirations but has enabled a focus to be placed upon quality to assure the large increase of delivery within the previous year of activity. A new approach to working with fewer but better partners will be implemented in 2012/13, which provides greater confidence of hitting the budgeted targets. The adult programme has seen large increases in 2011/12 and has enabled the College to maintain its adult skills budget.
- The 16-18 apprenticeship programme set out a growth trajectory that the College began in 2010/11, which following in year performance will not reach the scale and value anticipated at this point last year. It has, therefore, been necessary to scale back planned income and activity levels to meet what is more realistically achievable in the current market conditions. This means that by 2014/15 the programme will generate £8.11million, and not the £10.33million planned in the forecast last year.
- The impact on operating contributions on this scaled down performance will be around £660k, which is offset by the higher than planned levels of adult skills budget allocation, which by 2014/15 are now expected to be £12.88million, rather than £11.99million previously forecast.

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Date:

- Additional learner support increased substantially in 2011/12 for 16-18 learners with a maximum allocation of £3.417million. The revised mid year forecast for 2011/12 sees the achievement of this value and the allocation for 2012/13 has increased once more to £3.74million. This value has been included in the budget and set flat for the remainder of the financial forecast period.
- In 2013/14 the sector will see the introduction of FE based loans for over 23 year old learners studying level 3 and above qualifications. The College has calculated an expected impact of this policy on its adult skills budget and anticipates that it will remove £858k in the year. The amount expected to be recovered through increased fees in this year is £286k, and in subsequent years the rate of recovery in fee income has been forecast at 5% in each subsequent year. This assumes that the income position in 2012/13 will not be recovered during the forecasting period. The College is expecting significant disengagement of learners and does not readily know the likely impact at this stage.
- College pay costs have seen an under-spend in 2011/12, automatic increments have been included in the 2012/13 budget, but the AoC is currently suggesting that these are frozen. A vacancy saving assumption of 2% has been applied to the pay cost budget.
- The future prognosis of pay inflation is difficult to forecast, although the following years of the financial plan assumes a climate similar to that in the last two years.
- College non-pay costs are dominated by the cost payable to partners in relation to delivery in the work place learning provision, these costs are calculated at a level of 80% of income for adult programmes and 74% for 16-18 apprenticeships, where new delivery partners are expected to share 80% of the funded income and existing partners 70%. For 2012/13 the College expects to deliver a value of £1.10million 16-18 apprenticeships (of £7.47million), £797k adult apprenticeships (of £7.72million), and £401k NVQ provision, (of £3.7million). This equates in total to £2.3million, 12.2% of the total £8.9million employer responsive programme, this increases to £3.3million 17.5% when including Safety Plus.
- Partner franchise costs of £11.9million are budgeted for 2012/13, of which £800k relates to Safety Plus activity.
- Additional expenditure has been budgeted to reflect increases in transport costs to support 16-18 learners.
- Maintenance costs have been budgeted at £650k.
- The College has begun to reduce its enrichment budgets as planned.
- A depreciation charge of £1.033million for 2012/13 reflects the increase in charges as a result of the completion of the Creative Arts building and the new build.
- Accommodation budget assumptions have not changed with total project cost of £24million still planned.

Members' attention was drawn to the assumptions made within the financial forecast, at page 61 and in particular the loan covenants. It was agreed that the management accounts would need to report against

Signed : _____ Chair

Date:

these, as breach of any of the covenants would seriously undermine performance.

Members reviewed the balance sheet indicators detailed at page 62 and the key risks and challenges noted at page 63.

Members all agreed that what was presented was a well explained and comprehensive budget, it was explained that this draft budget would be presented to the Board for approval at its meeting on 12 July 2012.

AGREED: to note the draft budget for 2012/13 and recommend that the Board approve the same and financial forecast to 2020/21.

12.46 PARTNER STRATEGY – UPDATE FOLLOWING STRATEGY DISCUSSIONS

The Director of Finance introduced this item and circulated an additional schedule highlighted in yellow, which shows contract variations. Members were advised that if the College and partners continue to perform as planned then in six or seven years the College should be in a position to pay down some of its debt if that is the strategic direction agreed.

AGREED to:
a) Note the update provided, and
b) Approve partner contract variations.

12.47 EMPLOYER RESPONSIVE UPDATE

The Director of Finance introduced this item and confirmed that a report had been reviewed at the residential event, which set out plans to rationalise the use of partners within the budget allowed and the cost of doing the same. The intention is to have fewer but better partners and pay them more. It was agreed that the partner list would be reported within the employer responsive update in all future meetings so that the partner and ERU strategy was rolled into one.

Director of Finance Standing Item

Members` attention was drawn to the success rate data at page 86, it was acknowledged that at the end of the year the College will have a much better picture regarding success but it was expected that this would be positive.

In terms of future reporting it was agreed that more quality detail needed to be provided and not just headline figures. The Principal requested detailed analysis of data, issues and actions being taken. The Committee requested more detail regarding individual partner performance and also for data to be split between 16-18 cohort and 19+ cohort. The concern raised was that headline figures may mask a particular underlying issue and that more specific data will avoid assumptions being made that are incorrect.

VP Standing Item

Signed : _____ Chair

Date:

AGREED: to note the update provided.

12.48 COMMITTEE WORK PLAN 2012/13

The Clerk to the Corporation introduced this item and presented a starting point framework document, members were entirely happy to approve the workplan and acknowledged that items would be added as and when required during the year.

AGREED: to approve Committee Workplan 2012/13.

12.49 COMMITTEE SELF-ASSESSMENT 2011/12

The Clerk to the Corporation introduced this item and confirmed that now was an opportunity to reflect upon performance for the current academic year and introduce any changes that it was felt would bring about further improvements. Members felt that the merging of the Estates Committee and the Finance & Resources Committee had worked well to avoid duplication. One issue raised was attendance and it was agreed that there was a need to monitor this.

AGREED: to note self-assessment discussions for 2011/12.

12.50 COMMITTEE TERMS OF REFERENCE FOR 2012/13

The Clerk to the Corporation introduced this item and confirmed that this was an opportunity to review Terms of Reference. Members were entirely happy that they remain fit for purpose and agreed to recommend continued use unchanged for 2012/13.

AGREED: to recommend that the Corporation approve unchanged Terms of Reference for 2012/13.

12.51 COMMITTEE MEMBERSHIP 2012/13

The Clerk to the Corporation introduced this item and reminded Governors of membership for 2011/12. All agreed that there was a need to secure an accountant as a member. All agreed that the resignation of Brian Stopford had been a loss. It was noted that Howard Baggaley had been somewhat compromised this year in terms of his attendance at meetings because of the potential conflicts of interest as a contractor and a bidder for the new build. Members requested that the Search Committee at its next meeting review Committee Membership and seek to strengthen the balance.

In the interim period, it was agreed to recommend that the Corporation continue with membership unchanged.

AGREED: to recommend that the Corporation approve continued membership for 2012/13.

Signed : _____ Chair

Date:

12.52 AOB

There were no items of AOB.

12.53 DATE OF NEXT MEETING

The Clerk to the Corporation confirmed that the next meeting was scheduled for 27 September 2012.

Meeting closed at 5.10 pm.

Signed : _____Chair

Date: